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Department of State TELEGRAM

14 PET 15-2 LIBYA

CONFIDENTIAL 921

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R 030834Z APR 72
FM AMEMBASSY BENGHAZI
TO SECSTATE WASHDC 0768
INFO AMEMBASSY LONDON
AMEMBASSY TRIPOLI

BENGHAZI 152 4.3.22

C O N F I D E N T I A L BENGHAZI 0152

SUBJECT: NATIONALIZATION OF BP - STATUS REPORT FOUR

REF: BENGHAZI 114

FROM MACK

SUMMARY: UP-DATE OF PREVIOUS REPORTING ON RELATIONS AMONG BP, HUNT AND ARAB GULF. LIBYANS STILL LOOK TO THE WEST FOR BOTH EXPERTISE AND CUSTOMERS.

1. DURING THE MONTH OF MARCH, THE LARG SIGNED A RESOUNDING TECHNICAL COOPERATION AGREEMENT WITH THE SOVIET UNION AND GAINED VERBAL EASTERN EUROPEAN SUPPORT FOR ITS NATIONALIZATION OF BP, BUT THERE ARE INCREASING SIGNS THAT REALITIES OF MAJOR JALLUD'S OPENING TO THE EAST ARE LESS THAN MEETS THE EYE. SHIELDED FROM GLARE OF PUBLICITY, BP NEGOTIATERS RESUMED CONTACT WITH JALLUD AND OTHER LIBYAN OFFICIALS. DIRECTORS OF ARAB GULF WERE TRAVELING TO THE UK AND THE US SEEKING EXPATRIATE PRODUCTION HELP AND, PERHAPS, BUYERS FOR SARIR CRUDE. EXPERTS OF THE AMERICAN CONSULTING FIRM REMI HAVE VISITED BENGHAZI, TOBRUK AND SARIR TO GATHER MATERIAL ON MANAGEMENT STUDIES CONTRACTED BY ARAB

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GULF. C.E. CREST COMPANY OF TULSA HAS REPORTEDLY SIGNED A CONTRACT FOR CATHODIC PROTECTION AND WILL BE SENDING TWO OR THREE MEN IN THE NEAR FUTURE.

2. THE VISIT TO TRIPOLI OF SPANISH FOREIGN MINISTER LOPEZ BRAVO PROVIDED FURTHER EVIDENCE THAT JALLUD'S TRIP TO EASTERN EUROPE HAS NOT SOLVED MARKETING PROBLEMS. SPANISH SAY THAT BRAVO REBUFFED LIBYAN PRESSURE TO BUY HOT OIL (TRIPOLI 579).

3. PRODUCTION IS RUNNING AT DAILY AVERAGE OF 220,000 TO 225,000 BARRELS. ALMOST ALL GOES TO HUNT TANKERS; ANY REMAINING OIL IS STILL IN HARIQA TANK FARM. TECHNICAL PROBLEMS OF PRODUCTION AT THIS LEVEL (HALF OF PREVIOUS NORMAL) ARE MANAGEABLE. ANY INCREASE OF PRODUCTION, HOWEVER, WOULD CAUSE SERIOUS DIFFICULTIES DUE TO LACK OF PROPER MAINTENANCE AND POOR FIELD MANAGEMENT.

4. [redacted] SAYS THAT HIS COMPANY IS NOT UNHAPPY WITH IMPASSE IN SHORT RUN. VITAL FACT IS THAT HUNT AND ONLY HUNT IS PUMPING SARIR CRUDE TO WORLD MARKETS.
JOSIE

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